

# NATIONAL CREDIT UNION ADMINISTRATION

# NCUA News

**Board actions - July 25, 2002**

## Mid-year review cuts 2002 budget \$826,000

The NCUA Board approved mid-year adjustments cutting the 2002 Operating Budget by \$826,000 based on actual expenses from January through June and projections for the remainder of the year.

Mid-session budget revisions include 15 identified expense revisions, two capital requests and no staffing changes, and it results in a budget decrease of \$826,000. No additional funding is needed with new expenditures completely offset by reductions in the payroll budget.

### Budget adjustments

Vacancies will result in a \$793,643 decrease in budgeted employee pay and a \$301,062 decrease in employee benefits.

The primary budget adjustment at mid-year is tied to the Board's decision to replace NCUA's 1988 telephone system. This \$525,000 capital acquisition will implement a long-term strategic computing and communications infrastructure able to support up-to-date voice, data and multimedia technology.

### Quarterly Update:

#### NCUSIF to add \$1.5 million monthly to reserves

The National Credit Union Share Insurance Fund will monthly, beginning in July, add a minimum \$1.5 million to reserves, with the goal of attaining a \$60 million reserve level within 4 to 5 years. After 8 years without adding funds, Share Insurance Fund reserves have declined to \$43.9 million.

In the first six months of 2002, the National Credit Union Share Insurance Fund (NCUSIF) recorded \$110 million in gross

income, \$68.6 million in net income, \$41.4 million in operating expenses and \$0 in insurance losses.

Net income is projected to decline from \$164 million in 2001 to \$128.6 million in 2002 based primarily on declining yields on Treasury investments.

The NCUSIF equity ratio, the ratio of insured deposits to the Fund's balance, declined during the first six months of 2002 due to an estimated 10 percent growth in insured shares and deposits during the first six months of the year. This influx of share deposits, expected to continue throughout 2002, dilutes the equity level of the Share Insurance Fund. As a result, an equity ratio of 1.28 percent is projected at year-end 2002.

Through June, seven federally insured credit unions have failed in 2002 and 226 institutions were identified as problem code credit unions representing .69 percent or \$3.1 billion of insured shares. Mid-year adjustment statements will be issued in September.

### Charter conversions

The NCUA Board approved the conversion request of \$370.7 million **Mid-Hudson Valley Federal Credit Union**, Kingston, N.Y., to convert from a multiple common bond to a community charter able to serve New York State's Mid-Hudson Valley. With conversion, Mid-Hudson Valley Federal Credit Union can serve the people in Dutchess County, Orange County, or Ulster County, New York.

**Votes are unanimous unless otherwise indicated.**

**August/September 2002  
Number 5**

## HIGHLIGHTS

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## CUs remain tops in customer satisfaction, online services surge

*The American Banker Newspaper reported July 23, 2002*

"Credit unions are the big success story in online bill payment," according to the latest results of the annual *American Banker*/Gallup survey, which reported 24 percent of credit union members surveyed use online bill paying services, up from 15 percent last year. Thrifts online bill payments were a strong 20 percent and banks were 11 percent.

"A lot of the success that credit unions have in particular is that their members trust them more than typical bank customers. It is the personal attention they can provide," the Banker quotes Jeanne Capachin, research director of Meridian Research in Newton, Mass.

Credit unions have hands-down outperformed fellow financial institutions since the *American Banker* began its customer satisfaction survey in 1989. This year 76 percent of credit union customers

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## New Examiner's Guide issued

A completely revised *NCUA Examiner's Guide*, which includes guidance to examiners on the new risk-focused examination and supervision program, will be available by Sept. 1, 2002, on the NCUA web site at [http://www.ncua.gov/ref/examiners\\_guide/examguide.html](http://www.ncua.gov/ref/examiners_guide/examguide.html).



Hardcopies will also be available from NCUA Publications at 703-518-6340 for \$85.50.

While every chapter of the guide has been updated, many revisions pertain to NCUA's new risk-focused exam program and how this new approach affects the examination of credit union operations. Examiners will begin using the new program after attending training in August 2002.

Some of the more relevant modifications include-

- Chapter 1 — Theory behind the new risk-focused examination and supervision program.
- Chapter 2 — Tools examiners use to determine and document the scope of the examination center on seven risk categories - Credit, Interest Rate, Liquidity, Compliance, Strategic, Transaction and Reputation Risk.

- Chapter 5 — Updated guidance for Supervisory Committee audits.
- Chapter 7 — Planning and due diligence required by management to address risk areas in credit unions.
- Chapter 11 — GAAP methodologies for the Allowance for Loan and Lease Losses account.
- Chapter 13 — Asset liability management (ALM). --
  - Part 1 General ALM guidance
  - Part 2 Interest rate risk
  - Part 3 Liquidity risk
- Chapter 17 — Prompt corrective action (PCA). --
  - Part 1 General PCA requirements
  - Part 2 Risk-based net worth requirements
- Chapter 18 — Regulatory compliance includes a section on the *Bank Secrecy Act*.
- Chapter 26 — How the risk-focused approach affects the examination and supervision of federally insured state-chartered credit unions. This chapter was written in conjunction with state supervisory authorities.

## Disaster assistance activated for San Antonio

The National Credit Union Administration activated its disaster relief policy July 11, 2002, to assist credit unions and their members with homes and businesses damaged or affected by flooding in the Texas counties of Atascosa, Bexar, Blanco, Brown, Caldwell, Comal, Eastland, Frio, Goliad, Gonzales, Guadalupe, Hays, Karnes, Kerr, La Salle, Medina, Real, Taylor, Travis and Wilson.

NCUA examiners from Region V contacted the affected local federal credit unions to offer advice and assistance, and NCUA worked with the Texas Credit Union League to ensure all federally insured credit unions were aware of available assistance. NCUA and the Texas state supervisor also issued joint guidelines to assist credit unions with members affected by the flooding.

## Upgrade 5300 Call Report software in September and file Call Reports online in December

NCUA is upgrading its computer-based Call Report application starting with the September 2002 reporting cycle to make the electronic filing process easier. Then, beginning with the December 2002 Call Report cycle, 5300 data can be transmitted to NCUA via the Internet by credit unions with Internet access.



To use the September Call Report application, credit unions must have Windows 95, Windows NT, Windows 98, Windows 2000, Windows Millennium Edition (ME), or Windows XP operating system. Credit union PCs must also have a CD-ROM drive, Internet Explorer 5.5 (included with the Call Report software)

or higher, and at least two megabytes of free hard disk space.

These changes enabled NCUA to develop and support a short version 5300 that smaller credit unions can use during the September and March reporting cycles, significantly reducing the reporting burden on smaller credit unions.

The on-line capabilities of the new program will offer credit unions the option of submitting Call Reports via the Internet starting with the December 2002 cycle. Beginning with the September 2002 reporting cycle, the 5300 Call Report and Report of Officials will be distributed on CD-ROMs instead of floppy diskettes. Credit unions will continue to have the option of returning a diskette or filing a paper form.

NATIONAL CREDIT UNION ADMINISTRATION

## NCUA News

*NCUA News* is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

**Dennis Dollar, Chairman**  
**JoAnn Johnson, Board Member**  
**Deborah Matz, Board Member**

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

Clifford Northup, *Director,*  
 Office of Public and Congressional Affairs  
 Cherie Umbel, *Editor*  
 Barbara Walker, *Graphics*

National Credit Union Administration  
 1775 Duke Street  
 Alexandria, VA 22314-3428

## NCUA provides member guidance on Internet transactions

Credit unions continue to increase their presence on the Internet. In fact, over 40 percent of all federally insured credit unions have a web site and almost half offer members the ability to perform transactions. During the past several years, NCUA has provided guidance to assist credit unions safely implement Internet transactions. This guidance, as well as other materials related to information systems and technology (IS&T), are available on the IS&T section of NCUA's web site at <http://www.ncua.gov/ref/IST/IST.html>.

Recently, NCUA issued its first Internet financial transaction guidance for credit union members - *Letter to Federal*



*Credit Unions No. 02-FCU-11 Tips to Safely Conduct Financial Transactions Over the Internet* - An NCUA brochure for Credit Union Members. The Internet offers members a convenient method for conducting transactions; however, members should be diligent in protecting themselves on-line. This brochure is designed to offer the following information to assist members:

- Determine if a web site is that of their credit union;
- Determine if share deposits of an on-line credit union are insured by NCUA;
- Keep personal information private and secure;
- Find assistance if concerned about on-line accounts, suspected fraud, or suspected identity theft; and
- Locate helpful on-line consumer resources regarding the Internet.

The brochure is available to review, download and order on the NCUA web site at <http://www.ncua.gov/ref/publications/Tips-to-Safely-Conduct-Financial-Trans->

[actions-Over-the-Internet/](#). The site also contains files for professional reproduction of the brochure. Credit unions may reprint the brochure (electronically or in hardcopy) without NCUA permission provided the text is used without modification. Portions of the brochure were adapted from a Federal Deposit Insurance Corporation brochure.

## Diligent physical security essential

*Letter 02-CU-12* cautions federally insured credit unions to ensure they have a well-structured, efficiently operating physical security program.

Credit union robberies have more than doubled in the last 10 years. In 2001, 510 credit unions were robbed. Robbery is one of the few risks that financial institutions face that includes the potential for personal injury. This possibility highlights the importance of an effective security program.

## Regulatory Compliance

Part 748 of the NCUA Rules and Regulations requires each federally insured credit union have a written security program designed to protect credit union offices, ensure the security and confidentiality of member records, assist in identifying persons who commit or attempt crimes and prevent the destruction of vital records. The credit union board chair certifies compliance with Part 748 each year in the Report of Officials submitted to NCUA following credit union elections. The responsibility for providing adequate safeguards to discourage robberies, burglaries, and larcenies and to assist in the identification and apprehension of persons who commit such crimes is important, and this certification should be carefully considered each year.



**June 26, 2002 Warsaw, Poland** - Board Member JoAnn Johnson and Chairman Dennis Dollar visit with former President Lech Walesa of Poland during the World Council of Credit Unions Sixth International Credit Union Leadership Institute.





**Who and What:** Board Member JoAnn Johnson will address the Allied Solutions Summer Conference.

**When:** 10 a.m. Monday, August 26, 2002

**Where:** The Broadmoor, Colorado Springs, Colo.

**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA.

**Contact:** Laurie Eagan at 703-518-6309 or [laurie@ncua.gov](mailto:laurie@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at the Access Across America Colonias Initiative Workshop.

**When:** Wednesday, September 4, 2002

**Where:** El Paso, Texas.

**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies.

**Contact:** Nicholas Owens at 703 518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member Matz will speak at NASCUS 37th Annual Conference.

**When:** Sunday, Sept. 8, 2002

**Where:** New Orleans Marriott, 555 Canal Street, New Orleans La.

**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies.

**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at the Defense Credit Union Council's Annual Conference.

**When:** 9:30 a.m., Monday, September 9, 2002

**Where:** Silver Legacy Resort and Casino, Reno, Nev.

**Why:** Participant feedback will be considered and solicited on NCUA initiatives

and policies. A participant Q&A is scheduled.

**Contact:** Nicholas Owens at 703 518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at NASCUS' Annual Conference.

**When:** 8:30 a.m., Tuesday, Sept. 10, 2002

**Where:** New Orleans Marriott, New Orleans, La.

**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies. A participant Q&A is scheduled.

**Contact:** Nicholas Owens at 703 518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member JoAnn Johnson will address the Oklahoma Credit Union League's 68th Annual Meeting & Convention.

**When:** Thurs., Sept. 12, 2002

**Where:** Southern Hills Marriott, Tulsa, Okla.

**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA.

**Contact:** Laurie Eagan at 703-518-6309 or [laurie@ncua.gov](mailto:laurie@ncua.gov)

**Who and What:** Board Member Matz will address the Pennsylvania Credit Union League.

**When:** Thursday, Sept. 12, 2002

**Where:** Hershey Hotel, 100 Hotel Road, Hershey, Pa.

**Why:** To address current issues and solicit participant feedback.

**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Chairman Dennis Dollar will hold an Open Forum.

**When:** 10 a.m., Friday, Sept. 13, 2002

**Where:** Omni Berkshire Place Hotel, 21 East 52nd Street at Madison Avenue, New York City

**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies. A participant Q&A is scheduled.

**Contact:** Nicholas Owens at 703 518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member Matz will address the Ohio Credit Union League.

**When:** Tuesday, Sept. 17, 2002

**Where:** Hyatt on Capital Square, 75 E. State Street, Columbus, Ohio

**Why:** To address current issues and solicit participant feedback.

**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Board Member Matz will address the Texas Credit Union League Leadership & Business Exposition

**When:** Friday, Sept. 20, 2002

**Where:** San Antonio Marriott River Center, 101 Bowie Street, San Antonio, Texas

**Why:** To address current issues and solicit participant feedback.

**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Board Member Matz will address the Combined Council Automotive Credit Unions Annual Meeting and Conference.

**When:** Saturday, Sept. 21, 2002

**Where:** Sheraton New Orleans Hotel, 500 Canal Street, New Orleans, La.

**Why:** To address current issues and solicit participant feedback.

**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at the NAFCU Congressional Caucus

**When:** 9:30 a.m., Monday, Sept. 23, 2002

**Where:** Grand Hyatt Hotel, Washington, D. C.

**Why:** Participant feedback will be considered and solicited on NCUA initiatives or policies. A participant Q&A is scheduled.

**Contact:** Nicholas Owens at 703 518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member JoAnn Johnson will address NAFCU's Congressional Caucus.

**When:** 10:30 a.m. Monday, Sept. 23, 2002

**Where:** Grand Hyatt, Washington, D.C.

**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA.

**Contact:** Laurie Eagan at 703-518-6309 or [laurie@ncua.gov](mailto:laurie@ncua.gov)



# *The Benefits of Federal Share Insurance for Credit Unions*

The National Credit Union Share Insurance Fund (NCUSIF) is a U.S. Treasury revolving fund managed by the National Credit Union Administration (NCUA). Of the nearly 10,000 credit unions in the U.S., more than 97 percent are covered by the NCUSIF, which is backed by the full faith and credit of the U.S. government.

**Geographic Area.** NCUSIF coverage is provided in all 50 states, Guam, Puerto Rico and the Virgin Islands. All federally-chartered credit unions regardless of location must be insured by the NCUSIF. Only eight states and Puerto Rico allow state-chartered credit unions to carry private primary share insurance.

**U.S. Government Backing.** The NCUSIF, with more than \$5 billion in equity, is financially strong and uniquely positioned to insure the money credit union members have placed in federally-insured credit unions. In addition to its \$5 billion equity, the NCUSIF is backed by the full faith and credit of the U.S. government. There is simply no stronger backing in the world.

**Cost of Coverage.** Insured credit unions maintain a deposit equal to one percent of their insured shares and deposits in the NCUSIF. The NCUSIF has paid \$622 million in dividends on these deposits since 1995 to NCUSIF-insured credit unions. It has not been necessary to charge a premium since 1992.

**Supervision.** Federal credit unions are subject to NCUA supervision. State-chartered credit unions with NCUSIF coverage are subject to state supervision, but are also monitored by NCUA. This regular examination and supervision process helps ensure the safety and soundness of federally insured credit unions.

**Insurance Coverage.** The basic insured amount for a credit union member is \$100,000. Share accounts maintained in different rights or capacities, or forms of ownership, may each be separately insured up to \$100,000 with properly completed account applications.

For example, a family of four may have up to \$1.8 million in NCUSIF coverage:

|   |           |
|---|-----------|
| Individual Account of Husband   | \$100,000 |
| Individual Account of Wife  | \$100,000 |
| Individual Account of Child #1  | \$100,000 |
| Individual Account of Child #2  | \$100,000 |
| Joint Tenancy Account of Husband and Wife                                 | \$100,000 |
| Joint Tenancy Account of Husband and Child #1                             | \$100,000 |
| Joint Tenancy Account of Wife and Child #2                                | \$100,000 |
| Joint Tenancy Account of Child #1 and Child #2                            | \$100,000 |
| Testamentary Revocable Trust Account with Husband as Trustee for Wife     | \$100,000 |
| Testamentary Revocable Trust Account with Wife as Trustee for Husband     | \$100,000 |
| Testamentary Revocable Trust Account with Husband as Trustee for Child #1 | \$100,000 |
| Testamentary Revocable Trust Account with Wife as Trustee for Child #1    | \$100,000 |
| Testamentary Revocable Trust Account with Husband as Trustee for Child #2 | \$100,000 |
| Testamentary Revocable Trust Account with Wife as Trustee for Child #2    | \$100,000 |
| Individual Retirement Account of Husband                                  | \$100,000 |
| Individual Retirement Account of Wife                                     | \$100,000 |
| Individual Retirement Account of Child #1                                 | \$100,000 |
| Individual Retirement Account of Child #2                                 | \$100,000 |

*There is  
simply no  
stronger  
backing in  
the world.*

*The above example is provided for illustrative purposes only. Certain accounts may be subject to the laws and regulations of other federal agencies.*

703-518-6330 [www.ncua.gov](http://www.ncua.gov)  
All data as of 12/31/2001. (NCUA-07/01/2002)

## NCUA Board addresses NAFCU Conference Seattle, Washington – July 18, 2002

### Chairman Dollar expects quick action on more user-friendly federal membership rules

NCUA will update its field of membership rules to make the federal charter more user friendly for growth-oriented credit unions that wish to extend access to more Americans who need low-cost financial services Chairman Dennis Dollar told participants at the 35th Annual Conference of the National Association of Federal Credit Unions.

"An effective dual chartering system depends on both federal and state regulations with viable options for innovation and growth-oriented credit unions," Chairman Dollar said. "It is essential that visionary credit unions who need growth in membership and services to meet their business projections and to build their financial stability for the future be able to do so as federal charters."

The Chairman announced that NCUA's Field of Membership Taskforce is working to update current federal membership rules in effect since the *Credit Union Membership Access Act* was implemented in 1999. The Chairman expects task force recommendations to be brought before the NCUA Board, issued for public comment and finalized before year-end.

"Bear in mind that everything some would like to see in the field of membership rules cannot be included under existing law," Dollar cautioned. "But we can make sure that existing law works to its fullest extent and better than it does today for those millions of Americans who still need access to a credit union." Some recent NCUA efforts to enable credit unions to extend services in more innovative ways to more members include:

- Earned regulatory flexibility with RegFlex;
- Enhanced incidental powers authority;
- Risk-focused examinations and risk-based examination scheduling;
- Rapid Internet approval for limited employee group expansions;
- Faster processing time for community charter conversions and adoption of

underserved areas; and the

- Access Across America program.

### Over 9 million potential members added in low-income areas

NCUA's Access Across American initiative illustrates the agency's commitment to facilitate extension of low-cost credit union services to millions of Americans. The Chairman pointed out that over 9.1 million residents of designated underserved areas became eligible to join a credit union in the first six months of 2002. This adds to the record-setting 16.1 million who became eligible to join a credit union in calendar year 2001.

"We will never be fully successful in furthering Access Across America if we do not continue to make our field of membership rules and expansion process more open where allowable under the law," said Dollar. "It requires a commitment by the regulator and the regulated to provide broad-based access to lower-cost financial services for all in America who need it and seek it."

### Board Member Johnson stressed import of strong, flexible federal credit union system

Board Member JoAnn Johnson reiterated Chairman Dollar's comments about the importance of a strong, flexible federal system that allows credit unions to better serve their members and ease regulatory restrictions, if possible, on member business loans.

"It is a goal of mine to make sure that the federal charter continues to be viable and attractive so that federal credit unions have the ability to compete in a changing marketplace," Board Member Johnson said. "I support the dual chartering system; however, as a federal credit union regulator it is my responsibility to evaluate what changes should be considered to keep the federal charter safe and sound."

Mrs. Johnson said that recent passage of innovative proposals such as RegFlex and the revised incidental powers rules demonstrate the NCUA Board recognizes the long-term viability of the federal charter hinges on federal credit unions'

ability to compete. A Johnson goal is to review regulations to determine if any additional flexibility can be granted while ensuring that credit unions remain safe and sound.

The member business loan rule was recently selected for possible modification during NCUA's on-going regulatory review process. NCUA staff has identified three areas where exemptions have been granted with state rules less restrictive than the federal rule. The federal rule has not been reviewed since these state rules have been adopted and Johnson said we owe it to ourselves and to credit unions to review the rule.

"I want to ensure that the NCUA regulations are necessary and effective. Certainly more can be done and I will continue efforts to enhance the federal charter where appropriate and allowable," Johnson said.

"Credit union access to as many Americans as possible is a top priority of mine. Credit unions continue to do a great job in serving their communities and continue to reach out to more underserved communities. The NCUA Chartering and Field of Membership Task Force is currently working on recommendations to provide additional flexibility in the area of field of membership while not overstepping statutory authority. I continue to get briefed by staff on field of membership issues and look forward to the opportunity to deliberate further enhancements in this area. We hope to issue a proposed rule for comments before the end of the year, and I would encourage each of you to review our proposal and submit your comments to us," Johnson said.

### Board Member Matz encouraged credit unions to help members build wealth

Board Member Deborah Matz urged conference participants to help their members build wealth in her remarks before the NAFCU Convention.

"Wealth-building means building an individual's economic base, not just increasing their salary or granting them loans," Matz said. "Wealth-building is important on a variety of levels but it is fundamental to the financial well-being of

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## NCUA will host "Access Across America" workshop

*NCUA forum focuses on governmental resource partners in Colonias regions*

NCUA is holding a workshop in El Paso, Texas, September 4-6 to bring together the federal resources available to credit unions in the Colonias region of the southwestern United States.

The program is designed for credit union CEOs and managers who plan or currently provide services to the Colonias areas. The purpose of this workshop is to enhance the abilities of those credit unions to expand financial services to the population located within the Colonias with a special emphasis of partnering with other agencies and non-profit organizations.

"As part of NCUA's Access Across America initiative, we welcome this opportunity to facilitate this forum so the important issues affecting the Colonias region may be highlighted as well as the broad array of federal and state resources available to credit unions in the area," said Dollar, who is scheduled to address the opening session Wednesday, September 4.

The September 4-6 forum will include presentations from the following federal and state agencies and private organizations: Fannie Mae; Freddie Mac; Internal Revenue Service; Federal Deposit Insurance Corporation; NCUA; Texas Department of Housing and Community Affairs; U.S. Department of Agriculture; U.S. Department of Housing and Urban Develop-

ment; and the World Council of Credit Unions.

In addition, Dick Ensweiler, Chief Executive Officer of the Texas Credit Union League and Harriet May, CEO of Government Employees Credit Union of El Paso will also participate.

Register for this free event by contacting NCUA's Office of Credit Union Development at 703/518-6610 or via e-mail: [ocudmail@ncua.gov](mailto:ocudmail@ncua.gov).

### Customer satisfaction

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said they were "very satisfied" with the service, up from 75 percent last year.

"We are structured as financial cooperatives, so our members are not just users but... also the owners of the institutions," Darren William, president and chief executive of Wescom Credit Union in Pasadena, Calif., told the American Banker.

"There's the common bond from working for the same employer," said James Meredith, a senior vice president at the New Jersey League of Community Bankers.

Credit unions also "clobbered" banks and thrifts in member satisfaction with fees. The Banker reported 53 percent of credit union customers gave them high marks on fees compared with 29 percent of bank customers and 28 percent for thrifts.

### NAFCU Conference

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an aging population and allows for a transfer of wealth to the next generation upon their death.

Matz addressed the nexus between home ownership and financial literacy. She told the assembled group that since homeownership is fundamental to wealth-building, financial literacy takes on a new importance. Without financial literacy and the accumulation of financial assets, home ownership is impossible. Financial literacy provides a host of programs that include how to balance a checkbook, how to make a budget, how to get out of debt, how to make monthly payments, how to save to buy a home, how to obtain the mortgage loan that for most members will be their ultimate asset and how to manage money to keep the home.

"I know many of your credit unions are already doing this type of credit counseling. As with wealth-building programs, I believe continued and expanded credit union involvement in these types of programs will be crucial for the success of credit unions and most importantly for your members.



Financial literacy programs bridge homeownership and wealth building. Financial literacy, in many cases, makes it happen," Matz said.

Ms. Matz also encouraged credit unions to consider expanding their member business loan programs and promised NCUA assistance in putting federally chartered credit unions on the same footing as state-chartered institutions. "I can assure you that we will make every effort to broaden NCUA's member business loan rule so that federal credit unions can provide better and more effective service to their members on at least the same terms as a state charter," she said.

# NCUA program benefits credit unions and students

*"The Summer Intern Program sponsored by NCUA has been extremely helpful to our credit union as we have been able to accomplish short-term projects, such as marketing and outreach campaigns (last year) and computer networking (this year). Through this program we have engaged promising young people who now really understand the credit union movement and who will continue supporting us with expertise in their respective fields."* **Pablo DeFillippi, Lower East Side People's FCU, New York**

This summer 28 students and 56 credit unions are participating in the 6th annual Student Internship Program administered by NCUA's Office of Credit Union Development.

The program brings together a college student who works in two various size credit union operations to accomplish numerous goals. Students are introduced to the role and philosophy of credit unions, which may spark interest in a credit union career. While the students learn, the credit unions benefit from their skills, and as each student moves between a larger and a smaller credit union over the summer, he or she is often the medium conveying fresh ideas and time-tested applications that improve operations in one or both institutions.

"Everybody wins with this program," NCUA Chairman Dennis Dollar said. "The students gain real-life exposure to small and larger size credit union operations and it broadens their career opportunities. Both credit unions benefit from a student's efforts and fresh perspective and NCUA realizes the strength of credit union partnerships."

In general, NCUA awards students, majoring in economics, business or accounting, a \$2,500 internship stipend paid as a reimbursement to the credit unions.

## Credit union officials participating in the 2002 program report -

*"We've used the intern program for 5 years now. A fantastic program...It's provided us the opportunity to work with students and train them. It helps students gain confidence and an overall knowledge of credit unions."* **Andrea Baum, Everyone's Federal Credit Union, Tucumcari, N.M.**

*"We've taken advantage of the program for a number of years. It's a great program. It's one of the best things NCUA does."* **Joy Cousminer, Bethex Federal Credit Union, Bronx, N.Y.**

*"It's the most wonderful thing in the world-one of the nicest programs...She (the intern) is very trustworthy...I am well pleased."* **Mattie Kelso, Mississippi Public Health Workers Federal Credit Union, Jackson, Miss.**

*"We're a small credit union. It's vital to us to have a student come and help us. Also, it's exciting to see Peter at work using the things he's learned."* **Nancy Zielonko, Central Orleans Federal Credit Union, Albion, NY**

*"I'm thrilled with this program. Jackie (intern) received a \$1,000 scholarship last year from us, so it's good to see her in action now."* **Marilyn Wehr, First Choice Federal Credit Union, New Castle, Pa.**



July 19, 2002 — Bianca Hopson at the Tuscaloosa Community FCU.

## Credit unions and students participating in the 2002 intern program.

| Credit Union  | Student  |
|---|--|
| Bethex FCU<br>Neighborhood Trust FCU                                    | Jacob Millstein<br>Boston University                   |
| Central Orleans FCU<br>Ontario Shores FCU                               | Peter Borello<br>St. Bonaventure University            |
| HomeSteaders FCU<br>Union Settlement FCU                                | Jasmin Gomez<br>City College                           |
| Lower East Side People's FCU<br>CSAE FCU                                | Mohamed "Moe" Nasser<br>Columbia University            |
| Choice One FCU<br>UFCW FCU  | Mark Williams<br>College Misericordia                  |
| CrossValley FCU<br>Wilkes-Barre PA<br>Employees FCU                     | Kelly Prussock<br>King's College                       |
| First Choice FCU<br>Rosco FCU   | Jackie LaGatta<br>St. Bonaventure University           |
| Brooklyn Ecumenical FCU<br>Artists Community FCU                        | Alina Shastun<br>Burch College                         |
| The Triumph Baptist FCU<br>K of C FCU                                   | Zakee Gibson<br>Delaware State University              |
| Caswell CU<br>Truliant FCU  | Ross Mickens<br>North Carolina State University        |
| Demopolis FCU<br>FOGCE FCU  | Cynthia D. Benison<br>Alabama A&M University           |
| Members 1st FCU<br>Columbus-Lowndes FCU                                 | Ashley Dill<br>Itawamba Community College              |
| Mississippi Public Health<br>Workers FCU<br>Mississippi DHS FCU         | Kristen Murriel<br>University of Southern Mississippi  |
| South East Community CU<br>Self-Help CU<br>Wilmington                   | Kimberly Belt<br>University of North Carolina at       |
| Tuscaloosa Community FCU<br>Tuscaloosa VA FCU                           | Bianca Hopson<br>Stillman College                      |
| VWSE FCU<br>Hinds Community College CU                                  | Kristen Nicole Allen<br>Mississippi College            |
| Webster United FCU<br>UBC Southern Council of<br>Industrial Workers FCU | Mario Jefferson<br>Louisiana State University          |
| S and J School Employees FCU<br>Tin Mill Employees FCU                  | Darci Gossage<br>West Liberty State College            |
| Bexar County Teachers FCU<br>San Antonio Telephone FCU                  | Ruthie J. Hays<br>St. Phillip's College                |
| Co-op CU of Montevideo<br>Dawson Co-op CU                               | Jeff Sacharison<br>North Dakota State University       |
| Everyone's FCU<br>Tucumcari Schools FCU                                 | Rachel Jackson<br>Mesaland Community College (?)       |
| Kingsville Community FCU<br>Kingsville Area Educators FCU               | Joel Mireles<br>Texas A&M at Kingsville                |
| McPherson Community FCU<br>Centris FCU                                  | Renee Connell<br>University of Nebraska at Kearney     |
| Sisseton Co-op FCU<br>Britton FCU                                       | Ginger Moeller<br>Mount Marty College of Watertown     |
| Atlantic City FCU<br>Riverton Educators FCU                             | Aaron Bentagnolli<br>University of Wyoming             |
| Community First Guam FCU<br>Government of Guam FCU                      | Jennifer M. Orot<br>University of Guam                 |
| Daniels-Sheridan FCU<br>Froid FCU                                       | Cami Hoff<br>University of Montana at Missoula         |
| Kahuku FCU<br>Honolulu City & County                                    | Daniel Jarvis<br>Brigham Young University<br>at Hawaii |



## 2003 Board meeting schedule issued

The NCUA Board, announced July 16, 2002, its 2003 meeting schedule. The Board plans to convene at 10 a.m. the third, fourth or fifth Thursday of each month (except August when the Board has historically not met) on the following dates in 2003:

- January 23
- February 20
- March 27
- April 24
- May 22
- June 26
- July 31
- September 18
- October 23
- November 20
- December 18

Credit union officials, trade groups, media and the general public are invited to attend open meetings of the NCUA Board

to witness the discussion and decision-making process that affects the vast majority of the nation's credit unions and NCUA operations.

NCUA Chairman Dennis Dollar commended fellow Board Members JoAnn Johnson and Deborah Matz for their cooperation in setting and releasing the next year's board meeting schedule earlier than ever before.

"All three of us recognize the interest of our stakeholders in the actions we take at each month's NCUA board meeting," said Dollar, "and I appreciate the cooperative spirit with which this Board resolved itself to set the 2003 schedule as early as possible so that our stakeholders will know when the meetings will be held."



Visit NCUA's extensive web site at **[www.ncua.gov](http://www.ncua.gov)** to get the latest Letters to Credit Unions, GC Opinion letters, proposed rules . . .

### About investments

## Mortgage Lending Challenges

First mortgage real estate loans continue to exhibit the fastest growth rate among loans and now represent nearly 28 percent of all outstanding loans. With relatively low interest rates, 2001 proved to be a banner year for originations. Credit unions with high mortgage loan concentrations must respond to manage their interest rate risk exposure.



Other regulators have discussed similar concerns with their institutions. The FDIC recently issued a report "Refinancing Waves Alter the Landscape for Mortgage Specialists." It states, "the profitability of the nation's mortgage lending specialists has become more exposed to the effects of a rising interest rate scenario that would compress net interest margins and suppress noninterest revenues associated with mortgage production and sales."

It further suggests that unprecedented levels of refinancing spurred by low, long-term interest rates have contributed to a lengthening of asset maturities. It suggests that this low interest rate environment gives institutions an opportunity to correct mismatches between their assets and liabilities.

The full text of the report is on the FDIC website at [www.fdic.gov/bank/analytical/fyi/042502fyi.html](http://www.fdic.gov/bank/analytical/fyi/042502fyi.html)

Credit unions should review business strategy and policy related to managing interest rate risk based on balance sheet structure in response to today's relatively low interest rate environment.

NATIONAL CREDIT UNION ADMINISTRATION

# NCUA News

National Credit Union  
Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

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